

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Delhi Charter Township	County Ingham
Audit Date December 31, 2004	Opinion Date March 31, 2005	Date Accountant Report Submitted to State: May 31, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

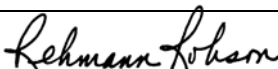
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

# **Charter Township of Delhi**

**Holt, Michigan**



## **Financial Statements**

**For the Year Ended December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

# CHARTER TOWNSHIP OF DELHI

## TABLE OF CONTENTS

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	<b><u>PAGE</u></b>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	20-21
Fire Equipment Replacement Millage Fund .....	22
Statement of Net Assets – Sewer Enterprise Fund.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Sewer Enterprise Fund .....	24
Statement of Cash Flows – Sewer Enterprise Fund .....	25-26
Statement of Fiduciary Net Assets .....	27
Statement of Change in Fiduciary Net Assets – Private Purpose Trust Fund.....	28
Combining Statement of Net Assets – Component Units .....	29
Combining Statement of Activities – Component Units.....	30
Notes to the Financial Statements .....	31-52

# CHARTER TOWNSHIP OF DELHI

## TABLE OF CONTENTS (Concluded)

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	<b><u>PAGE</u></b>
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	53
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	54
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	55
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	56
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	57-58
Combining Balance Sheet – Nonmajor Debt Service Funds .....	59-60
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds.....	61-62
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	63
Statement of Net Assets / Governmental Funds Balance Sheet – Brownfield Redevelopment Authority Component Unit .....	64
Statement of Activities / Governmental Funds Revenues, Expenditures, and Changes in Fund Balances – Brownfield Redevelopment Authority Component Unit .....	65
Statement of Net Assets / Governmental Funds Balance Sheet – Downtown Development Authority Component Unit .....	66-67
Statement of Activities / Governmental Funds Revenue, Expenditures, and Changes in Fund Balances – Downtown Development Authority Component Unit .....	68-69

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

March 31, 2005

The Board of Trustees  
Charter Township of Delhi  
Holt, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **CHARTER TOWNSHIP OF DELHI, MICHIGAN**, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Delhi, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Delhi 's basic financial statements. The combining and individual fund nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

## Management's Discussion and Analysis

As management of Delhi Charter Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2004.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$44,018,351 (*net assets*). Of this amount, \$9,178,317 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,784,366.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$4,956,891, a decrease of \$712,732 in comparison with the prior year. Approximately 99% of this total amount, or \$4,931,940, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,594,274 or 49 percent of total general fund expenditures.
- The Township's total bonded debt decreased by \$794,000 during the current fiscal year; \$2,365,000 in new debt was issued and \$3,159,000 of existing debt was retired.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).



Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include legislative, general government, public safety, public works, parks and recreation and community development. The business-type activities of the Township include sewer operations. Beginning in 2005, community development will be reported as a business-type activity.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also two legally separate authorities – the Downtown Development Authority and the Brownfield Redevelopment Authority – for which the Township is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Equipment Replacement Fund, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses one enterprise fund to account for its sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. The Township does not use internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 23-26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53-69 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Delhi Charter Township, assets exceeded liabilities by \$44,018,351 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (68 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Delhi Charter Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$9,459,621	\$9,301,899	\$8,809,284	\$11,426,881	\$18,268,905	\$20,728,780
Capital assets	7,261,814	6,167,064	41,531,822	38,697,122	48,793,636	44,864,186
Total assets	16,721,435	15,468,963	50,341,106	50,124,003	67,062,541	65,592,966
Long term liabilities outstanding	4,161,247	4,081,173	12,949,584	14,220,484	17,110,831	18,301,657
Other liabilities	4,044,045	3,316,563	1,889,314	1,740,761	5,933,359	5,057,324
Total liabilities	8,205,292	7,397,736	14,838,898	15,961,245	23,044,190	23,358,981
<b>Net assets:</b>						
Invested in capital assets, net of related debt	2,747,733	1,806,773	27,311,338	23,323,216	31,708,152	25,129,989
Restricted	1,340,368	934,921	3,440,595	2,341,490	4,780,963	3,276,411
Unrestricted	4,428,042	5,329,533	4,750,275	8,498,052	7,529,236	13,827,585
<b>Total Net Assets</b>	<b>\$8,516,143</b>	<b>\$8,071,227</b>	<b>\$35,502,208</b>	<b>\$34,162,758</b>	<b>\$44,018,351</b>	<b>\$42,233,985</b>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$1,784,366 during the current fiscal year. The majority of this growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

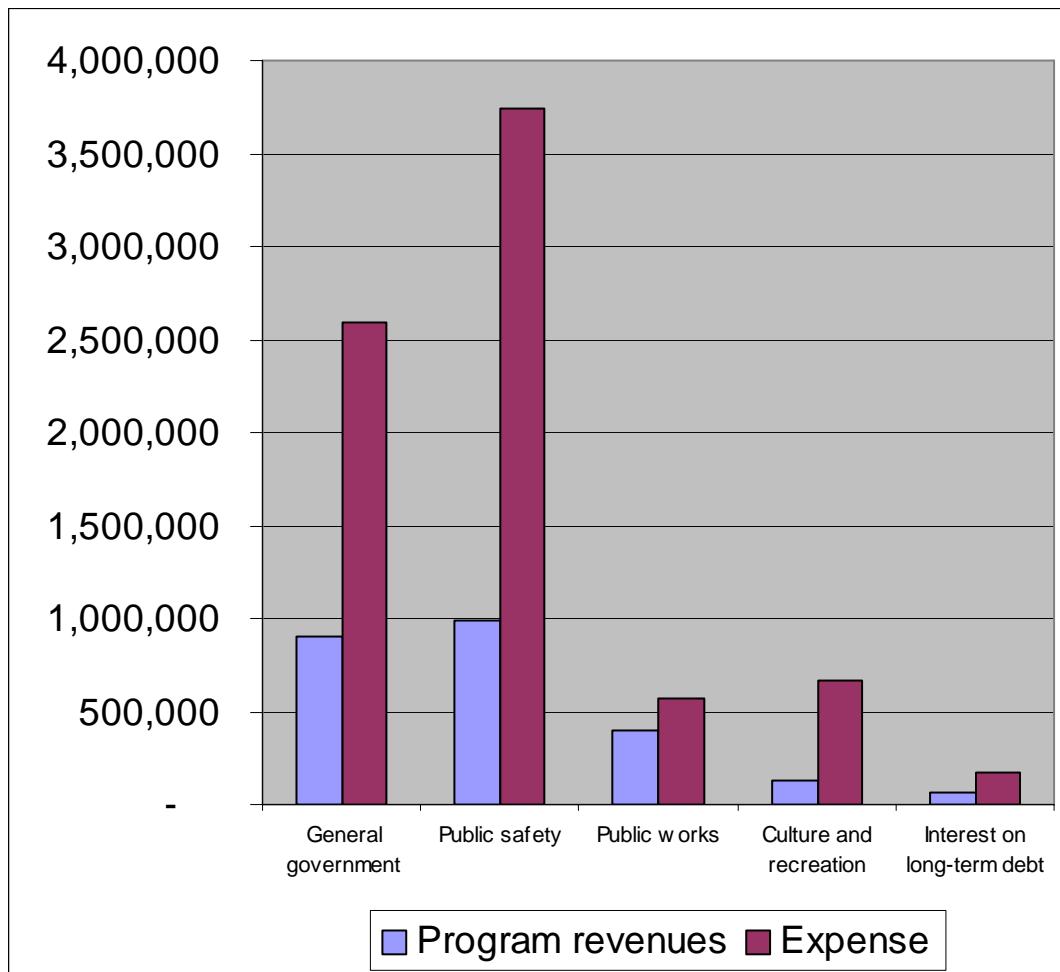
### Delhi Charter Township's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue:</b>						
Program revenues:						
Charges for services	\$ 1,680,030	\$ 1,703,079	\$ 5,401,343	\$ 5,335,388	\$ 7,081,373	\$ 7,038,467
Operating grants and contributions	506,673	59,833	161,079	-	667,752	59,833
Capital grants and contributions	306,076	-	901,587	253,957	1,207,663	253,957
General revenues:						
Property taxes	2,837,256	3,034,627	-	-	2,837,256	3,034,627
State shared revenue	1,846,592	1,956,061	-	-	1,846,592	1,956,061
Unrestricted grants and contributions	564,271	27,010	-	-	564,271	27,010
Other	446,586	1,452,752	-	459,975	446,586	1,912,727
<b>Total revenues</b>	<b>8,187,484</b>	<b>8,233,362</b>	<b>6,464,009</b>	<b>6,049,320</b>	<b>14,651,493</b>	<b>14,282,682</b>
<b>Expenses:</b>						
General government	2,588,743	2,348,086	-	-	2,588,743	2,348,086
Public safety	3,743,943	3,796,061	-	-	3,743,943	3,796,061
Public works	567,311	905,791	-	-	567,311	905,791
Culture and recreation	670,705	614,243	-	-	670,705	614,243
Interest on long-term debt	171,866	219,529	-	-	171,866	219,529
Sewer	-	-	5,124,559	4,887,444	5,124,559	4,887,444
<b>Total expenses</b>	<b>7,742,568</b>	<b>7,883,710</b>	<b>5,124,559</b>	<b>4,887,444</b>	<b>12,867,127</b>	<b>12,771,154</b>
<b>Increase (decrease) in net assets</b>	<b>444,916</b>	<b>349,652</b>	<b>1,339,450</b>	<b>1,161,876</b>	<b>1,784,366</b>	<b>1,511,528</b>
Net assets (deficit), beginning of year, as restated	8,071,227	7,721,575	34,162,758	33,000,882	42,233,985	40,722,457
<b>Net assets, end of year</b>	<b>\$ 8,516,143</b>	<b>\$ 8,071,227</b>	<b>\$ 35,502,208</b>	<b>\$ 34,162,758</b>	<b>\$ 44,018,351</b>	<b>\$ 42,233,985</b>

**Governmental activities.** Governmental activities increased the Township's net assets by \$444,916 during fiscal year 2004. Though on a fund level, expenditures exceeded revenues, assets were purchased in the General Fund and the Fire Equipment Replacement and Training Fund that neither decreases nor increases net assets because one asset was merely replaced with another (cash for equipment).

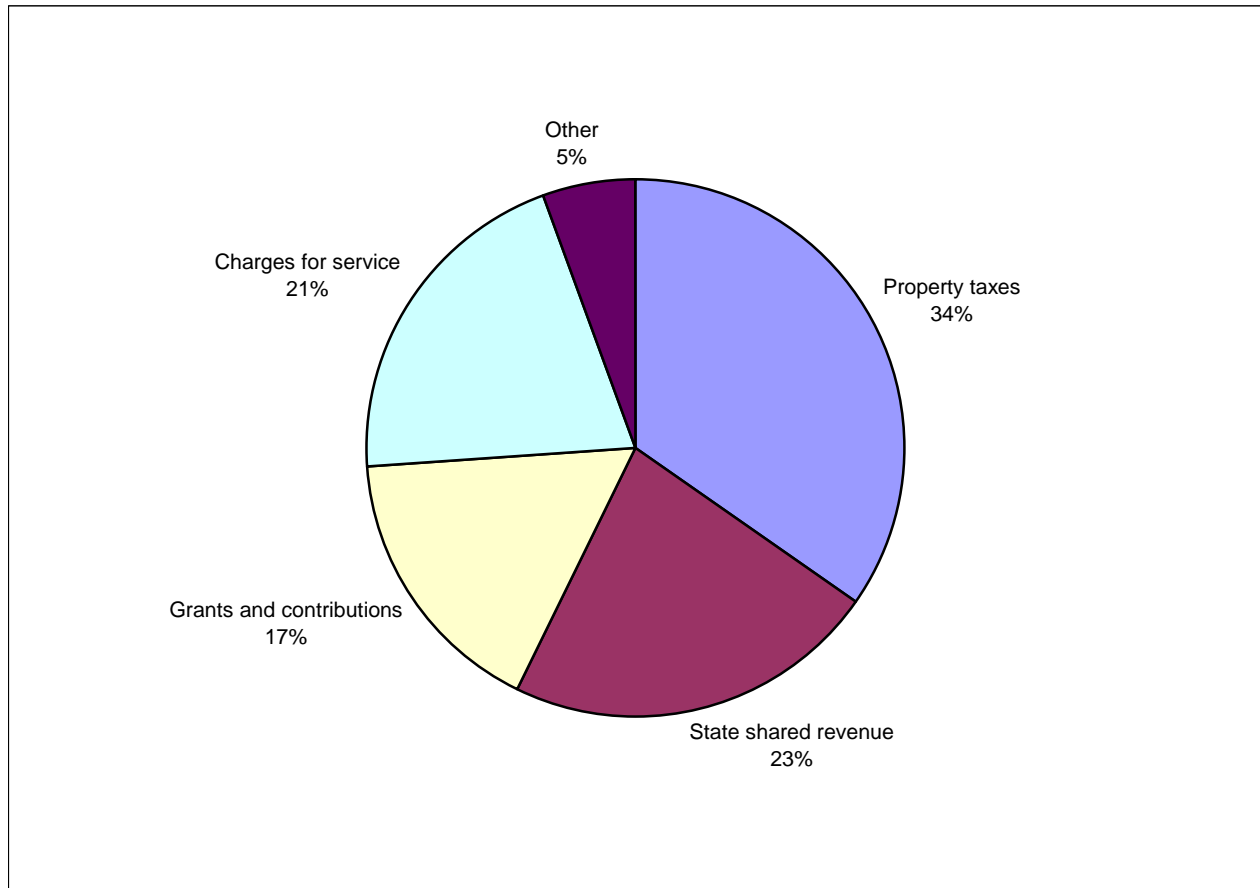
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**Expenses and Program Revenues - Governmental Activities**



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## Revenues by Source - Governmental Activities



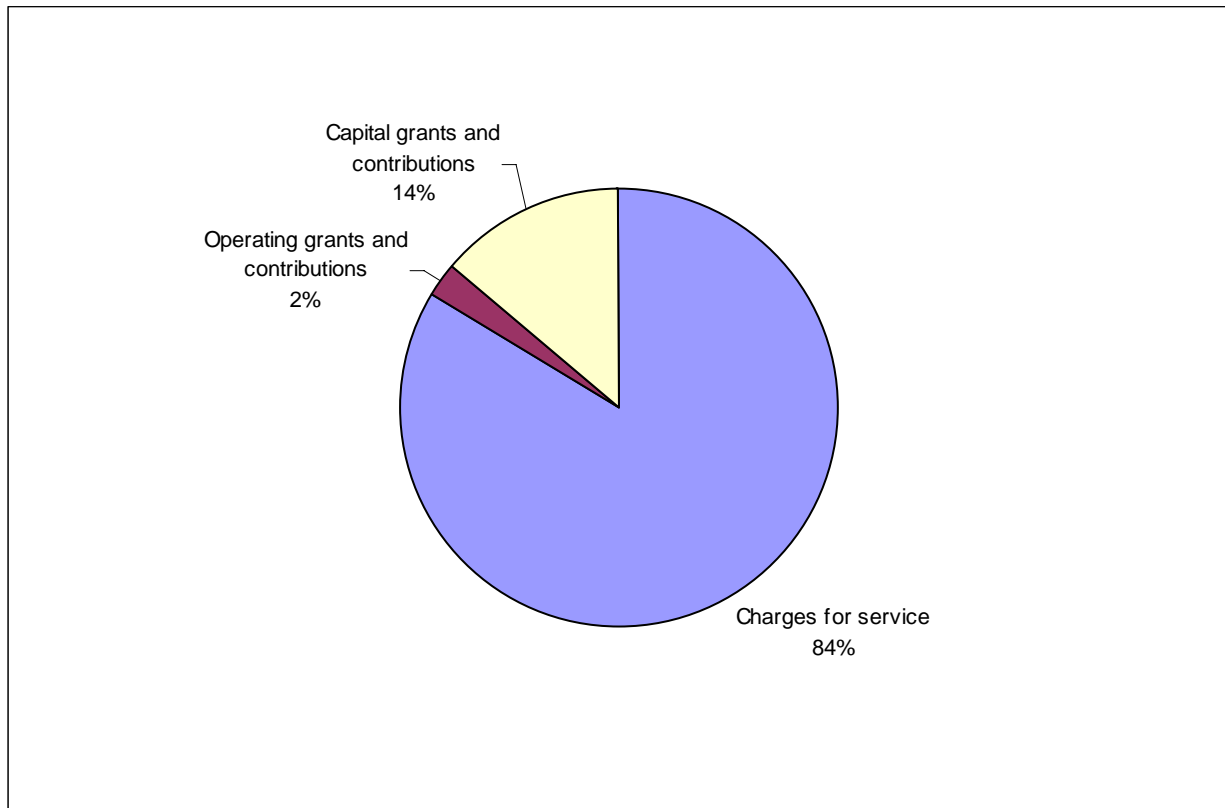
**Business-type activities.** Business-type activities increased the Township's net assets by \$1,339,450, during fiscal year 2004.

- Key elements of this increase are as follows:

- The majority of increases resulted from the degree to which charges for services exceeded ongoing expenses.
- During the fiscal year the sewer commodity charge was increased by 2.9 percent.

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## Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$4,956,891 a decrease of \$712,732 in comparison with the prior year. Approximately 99 percent of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for prepaid expenditures (\$24,951).

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,594,274, while total fund balance was \$3,616,523. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 49 percent of total general fund expenditures.

The fund balance of the Township's General Fund decreased by \$385,290 during the current fiscal year. For the third consecutive year state shared revenues have declined. In fiscal year 2004 the Township received \$475,798 less from the State than it received in fiscal year 2001 (the last year revenues did not decline). Increases in property taxes have somewhat offset the declines in state shared revenues. Increases in certain expenditure categories, namely public safety, also contributed to the decrease in fund balance.

The Fire Equipment Replacement fund has a total fund balance of \$256,962, which decreased by \$385,592 during the year. This decrease in fund balance was expected due to the purchase of four vehicles, an air foam system and a \$100,000 reimbursement to the General Fund for training expenses.

***Proprietary funds.*** The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Total net assets of the Sewer Fund at the end of the year amounted to \$35,502,208; an increase for the year of \$1,339,450. Other factors concerning the finances of this fund has already been addressed in the discussion of the Township's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgeted revenues were largely the result of projected declines in the Township's state shared revenues subsequent to the adoption of the budget. This change was precipitated by budget cutting measures at the state level affecting all municipalities. Most other differences between the original and final amended budgeted revenues were for grants or reimbursements that were offset by differences in budgeted expenditures. Final expenditure budgets increased in total from the original budget mostly for expenditures that were covered by grants, attributable for the most part to budget increases in general government to conduct a personal property audit.

While General Fund actual revenues were below budgetary estimates, expenditures were less by an even greater disparity, resulting in a decrease in fund balance of \$385,290 that was far less than the final amended budget anticipated amount by \$749,030.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounted to \$48,793,636 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, park and recreation facilities, machinery and equipment and construction in progress. The total increase in the Township's investment in capital assets for the current fiscal year was 5 percent (a 14 percent decrease for governmental activities and a 10 percent increase for business-type activities).

Major capital asset events during the fiscal year included the following:

- Completion on the construction of Veterans Memorial Park at a cost of approximately \$1,051,000.
- Purchase of a new combination pumper/ladder fire truck at a cost of \$635,476.
- Purchase of land located at 2347 Pine Tree Road for future expansion of the Delhi Charter Township park system at a cost of \$513,888.
- Completion of the Fay/Tolland and College Road water and sewer improvements totaling approximately \$3.02 million combined.
- Continued work on the Holt/Waverly Pump Station and West Town Drain Sanitary Sewer Interceptor projects, which are complete as of the issuance of this report. These projects were funded through the \$2.5 million 2003 Sewer Capital Improvement Bond.
- Various other sewer projects totaling approximately \$1.57 million.

### Delhi Charter Township's Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,448,679	\$ 857,441	\$ 776,635	\$ 776,635	\$ 2,225,314	\$ 1,634,076
Infrastructure systems	380,323	390,331	33,173,959	30,499,065	33,554,282	30,889,396
Buildings and improvements	2,876,917	2,741,324	385,388	359,546	3,262,305	3,100,870
Land improvements	1,364,240	252,864	-	-	1,364,240	252,864
Machinery and equipment	153,415	165,324	106,152	123,680	259,567	289,004
Furniture and office equipment	164,966	214,959	41,568	34,004	206,534	248,963
Computer equipment and programs	86,893	110,305	14,080	13,419	100,973	123,724
Vehicles	786,381	160,140	216,155	251,824	1,002,536	411,964
Construction in progress	-	3,565,461	6,817,885	5,869,758	6,817,885	9,435,219
<b>Total</b>	<b>\$ 7,261,814</b>	<b>\$ 8,458,149</b>	<b>\$ 41,531,822</b>	<b>\$ 37,927,931</b>	<b>\$ 48,793,636</b>	<b>\$ 46,386,080</b>

Additional information on the Township's capital assets can be found in note 3-C on pages 39-41 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had total debt outstanding of \$18,734,565. Of this amount, \$11,280,000 comprises debt backed by the full faith and credit of the government.

### Delhi Charter Township's Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 3,339,025	\$ 3,572,325	\$ 7,940,975	\$ 8,172,675	\$ 11,280,000	\$ 11,745,000
Special assessment bonds	317,750	409,143	1,031,250	1,268,857	1,349,000	1,678,000
Other long-term debt	857,306	378,823	5,248,259	5,932,374	6,105,565	6,311,197
<b>Total</b>	<b>\$ 4,514,081</b>	<b>\$ 4,360,291</b>	<b>\$ 14,220,484</b>	<b>\$ 15,373,906</b>	<b>\$ 18,734,565</b>	<b>\$ 19,734,197</b>



The Township's total bonded debt decreased by \$794,000 (6 percent), down to \$12,629,000 during the current fiscal year. General obligation refunding bonds totaling \$2,365,000 were issued for the purpose of refunding portions of the 1995 community service center bonds. \$3,159,000 in existing bonded debt maturities were retired.

The Township has a "AAA" rating from Standard & Poor's. This is their highest rating and reflects a strong capacity to repay the debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Township is \$81,133,195, which is significantly in excess of the Township's outstanding general obligation debt.

Additional information on the Township's long-term debt can be found in note 3-F on pages 43-48 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Township's budget for the 2005 fiscal year:

- The Community Development Department and the Building Department have been removed from the General Fund and a new enterprise fund has been created to record the revenues and expenditures of these departments.
- Ad valorem taxable values have increased 9.4 percent over the prior fiscal year, which includes allowable inflationary increases, a reduction in the tax captured by the DDA, as well as real growth.
- State-shared revenues are expected to continue to decrease as the state continues to try to bring its budget in line with projected revenues.
- The Township's full-time firefighters are in the process of negotiating their initial contract. This may have an effect on the Township's budget in the near future. This has not been reflected in the budget.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$3,594,274. The Township has appropriated \$560,920 of this amount for spending in the 2005 fiscal year budget. Such appropriation is intended to offset declines in state shared revenues coupled with increasing costs while attempting to maintain current staffing levels and service commitments to the public.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Accounting, 2074 Aurelius Road, Holt, Michigan 48842-6320. Phone (517) 699-3858. E-mail: jason.coker@delhitownship.com.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Net Assets**  
**December 31, 2004**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,137,343	\$ 3,769,033	\$ 4,906,376	\$ 1,378,170
Investments	3,118,851	3,154,683	6,273,534	933,070
Receivables, net	5,142,625	1,574,190	6,716,815	2,882,632
Prepays and other assets	60,802	311,378	372,180	974
Capital assets not being depreciated	1,448,679	7,594,520	9,043,199	2,732,052
Capital assets being depreciated, net	5,813,135	33,937,302	39,750,437	1,695,210
 Total assets	 16,721,435	 50,341,106	 67,062,541	 9,622,108
<b>Liabilities</b>				
Accounts payable and accrued expenses	281,853	618,414	900,267	57,298
Unearned revenue	3,143,984	-	3,143,984	2,943,075
Long-term liabilities:				
Due within one year	618,208	1,270,900	1,889,108	576,916
Due in more than one year	4,161,247	12,949,584	17,110,831	4,562,275
 Total liabilities	 8,205,292	 14,838,898	 23,044,190	 8,139,564
<b>Net assets</b>				
Invested in capital assets, net of related debt	2,747,733	27,311,338	30,059,071	(697,883)
Restricted for:				
Debt service	317,379	528,245	845,624	-
Other purposes	1,022,989	2,912,350	3,935,339	-
Unrestricted	4,428,042	4,750,275	9,178,317	2,180,427
 Total net assets	 \$ 8,516,143	 \$ 35,502,208	 \$ 44,018,351	 \$ 1,482,544

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Activities**  
**For the Year Ended December 31, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 53,147	\$ -	\$ -	\$ -	\$ (53,147)
General government	1,975,126	596,127	-	-	(1,378,999)
Public safety	3,743,943	945,328	43,699	-	(2,754,916)
Engineering	151,759	-	184,376	203,765	236,382
Community development	341,779	29,880	-	-	(311,899)
Recreation and cultural	670,705	108,695	21,508	-	(540,502)
Infrastructure	415,552	-	13,990	-	(401,562)
Other governmental activities	218,691	-	239,402	36,995	57,706
Interest on long-term debt	171,866	-	3,698	65,316	(102,852)
Total governmental activities	7,742,568	1,680,030	506,673	306,076	(5,249,789)
Business-type activities:					
Sewer	5,124,559	5,401,343	161,079	901,587	1,339,450
Total primary government	\$ 12,867,127	\$ 7,081,373	\$ 667,752	\$ 1,207,663	\$ (3,910,339)
Component units					
Brownfield redevelopment	\$ 9,265	\$ -	\$ 550	\$ -	\$ (8,715)
Downtown development	1,063,665	51,546	62,310	-	(949,809)
Total component units	\$ 1,072,930	\$ 51,546	\$ 62,860	\$ -	\$ (958,524)

continued...

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2004**

<b>Functions/Programs</b>	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (5,249,789)	\$ 1,339,450	\$ (3,910,339)	\$ (958,524)
General revenues:				
Property taxes	2,837,256	-	2,837,256	2,951,500
State shared revenue	1,846,592	-	1,846,592	-
Grants and contributions not restricted to specific programs	564,271	-	564,271	-
Unrestricted investment earnings	114,606	-	114,606	-
Gain (loss) on sale of capital assets	331,980	-	331,980	(280,022)
Transfers - internal activities	-	-	-	-
 Total general revenues	 5,694,705	 -	 5,694,705	 2,671,478
 Change in net assets	 444,916	 1,339,450	 1,784,366	 1,712,954
 Net assets (deficit), beginning of year, as restated	 8,071,227	 34,162,758	 42,233,985	 (230,410)
 <b>Net assets, end of year</b>	 <b>\$ 8,516,143</b>	 <b>\$ 35,502,208</b>	 <b>\$ 44,018,351</b>	 <b>\$ 1,482,544</b>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

**CHARTER TOWNSHIP OF DELHI**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2004**

	General	Fire Equipment Replacement Millage	Nonmajor Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 633,321	\$ 101,450	\$ 402,572	\$ 1,137,343
Investments	2,249,679	167,992	701,180	3,118,851
Taxes receivable	2,738,430	313,617	326,789	3,378,836
Special assessments receivable	65,041	-	897,620	962,661
Other receivables	701,128	100,000	-	801,128
Due from other funds	-	-	23,464	23,464
Prepays	22,249	-	2,702	24,951
 <b><u>TOTAL ASSETS</u></b>	 <b><u>\$ 6,409,848</u></b>	 <b><u>\$ 683,059</u></b>	 <b><u>\$ 2,354,327</u></b>	 <b><u>\$ 9,447,234</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 106,483	\$ 2,412	\$ 86,058	\$ 194,953
Accrued liabilities	47,318	-	5,470	52,788
Due to other funds	23,464	-	-	23,464
Deferred revenue	2,616,060	423,685	1,179,393	4,219,138
 Total liabilities	 2,793,325	 426,097	 1,270,921	 4,490,343
 <b>Fund balances</b>				
Reserved for prepaids	22,249	-	2,702	24,951
Unreserved, designated for debt service	-	-	399,410	399,410
Unreserved:				
Designated for drain improvements	457,529	-	-	457,529
Undesignated	3,136,745	256,962	-	3,393,707
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	363,915	363,915
Debt service funds	-	-	317,379	317,379
 Total fund balances	 3,616,523	 256,962	 1,083,406	 4,956,891
 <b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	 <b><u>\$ 6,409,848</u></b>	 <b><u>\$ 683,059</u></b>	 <b><u>\$ 2,354,327</u></b>	 <b><u>\$ 9,447,234</u></b>

The accompanying notes are an integral part of these financial statements.



**CHARTER TOWNSHIP OF DELHI**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**December 31, 2004**

Fund balances - total governmental funds	\$ 4,956,891
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets not being depreciated	1,448,679
Add: capital assets being depreciated, net	5,813,135

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term receivables	1,075,154
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable and other long-term debt	(4,514,081)
Subtract: compensated absences	(265,374)
Subtract: accrued interest on long-term liabilities	(34,112)
Add: unamortized bond premium/loss on refunding	35,851

Net assets of governmental activities	<u><u>\$ 8,516,143</u></u>
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The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2004**

	General	Fire Equipment Replacement Millage	Nonmajor Funds	Totals
<b>Revenue</b>				
Taxes	\$ 2,148,193	\$ 300,993	\$ 388,070	\$ 2,837,256
Special assessments	259,928	-	72,354	332,282
Intergovernmental	2,215,606	-	17,794	2,233,400
Licenses and permits	470,630	-	-	470,630
Charges for services	1,100,705	-	108,695	1,209,400
Interest	114,602	3,405	5,912	123,919
Other	673,947	-	259,400	933,347
Total revenue	6,983,611	304,398	852,225	8,140,234
<b>Expenditures</b>				
Current:				
Legislative	53,147	-	-	53,147
General government	2,036,617	-	-	2,036,617
Public safety	3,360,838	160,669	-	3,521,507
Engineering	141,751	-	-	141,751
Infrastructure	415,552	-	-	415,552
Community development	339,990	-	-	339,990
Recreation and cultural	-	-	615,878	615,878
Other	210,482	-	8,209	218,691
Debt service:				
Principal	21,517	-	384,693	406,210
Interest	-	-	187,401	187,401
Capital outlay	733,562	817,821	139,464	1,690,847
Total expenditures	7,313,456	978,490	1,335,645	9,627,591
Revenue under expenditures	(329,845)	(674,092)	(483,420)	(1,487,357)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	3,226	247,000	250	250,476
Issuance of long-term debt	500,000	-	-	500,000
Issuance of refunding debt	-	-	2,365,000	2,365,000
Payment to refunding bond escrow agent	-	-	(2,353,080)	(2,353,080)
Bond premium	-	-	12,229	12,229
Transfers in	-	41,500	562,897	604,397
Transfers (out)	(558,671)	-	(45,726)	(604,397)
Total other financing sources (uses)	(55,445)	288,500	541,570	774,625
Net change in fund balances	(385,290)	(385,592)	58,150	(712,732)
Fund balances, beginning of year, as restated	4,001,813	642,554	1,025,256	5,669,623
<b>Fund balances, end of year</b>	<b>\$ 3,616,523</b>	<b>\$ 256,962</b>	<b>\$ 1,083,406</b>	<b>\$ 4,956,891</b>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2004**

Net change in fund balances - total governmental funds	\$	(712,732)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		1,602,912
Subtract: depreciation expense		(489,666)
Subtract: proceeds from sale of capital assets		(250,476)
Add: gain on disposal of capital assets		331,980

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: change in deferred long-term receivables		(58,586)
Subtract: change in deferred special assessments receivable		158,170

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.

Add: principal payments on long-term liabilities		406,210
Subtract: bond proceeds received		(500,000)
Subtract: refunding proceeds received		(2,365,000)
Add: payment to refunding bond escrow agent		2,353,080
Subtract: bond premium		(12,229)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: change in accrued interest on bonds		15,535
Subtract: increase in the accrual of compensated absences		(34,282)

Change in net assets of governmental activities	\$	<u>444,916</u>
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The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 2,145,610	\$ 2,135,600	\$ 2,148,193	\$ 12,593
Special assessments	281,590	281,590	259,928	(21,662)
Intergovernmental	2,293,880	2,227,680	2,215,606	(12,074)
Licenses and permits	489,900	489,900	470,630	(19,270)
Charges for services	1,021,810	1,097,810	1,100,705	2,895
Interest	112,000	112,000	114,602	2,602
Other	558,100	660,100	673,947	13,847
Total revenue	6,902,890	7,004,680	6,983,611	(21,069)
<b>Expenditures</b>				
Legislative:				
Board of Trustees	60,080	60,080	53,147	(6,933)
General government:				
Supervisor	309,640	309,640	309,081	(559)
Accounting	160,480	167,860	165,782	(2,078)
Clerk	320,380	320,380	307,852	(12,528)
Computer	185,050	225,050	180,216	(44,834)
Treasurer	275,510	275,510	263,995	(11,515)
Assessor	290,900	442,500	414,012	(28,488)
Elections	43,320	55,800	55,321	(479)
Building and grounds	326,050	339,330	275,475	(63,855)
Cemetery	51,600	75,700	64,883	(10,817)
Total general government	1,962,930	2,211,770	2,036,617	(175,153)
Public safety:				
Police	1,972,390	1,984,040	1,981,079	(2,961)
Fire	1,213,800	1,168,800	1,140,571	(28,229)
Inspections	228,070	242,360	239,188	(3,172)
Total public safety	3,414,260	3,395,200	3,360,838	(34,362)
Engineering	143,650	148,080	141,751	(6,329)
Infrastructure	640,000	515,000	415,552	(99,448)

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
<b>Expenditures (concluded)</b>				
Community development - planning	\$ 369,020	\$ 384,980	\$ 339,990	\$ (44,990)
Other	180,180	235,350	210,482	(24,868)
Debt service - principal	-	-	21,517	21,517
Capital outlay	128,250	749,550	733,562	(15,988)
Total expenditures	6,898,370	7,700,010	7,313,456	(386,554)
Revenue over (under) expenditures	4,520	(695,330)	(329,845)	365,485
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	5,000	5,000	3,226	(1,774)
Issuance of long-term debt	-	500,000	500,000	-
Transfers out	(543,700)	(558,700)	(558,671)	29
Total other financing (uses)	(538,700)	(53,700)	(55,445)	(1,745)
Net change in fund balances	(534,180)	(749,030)	(385,290)	363,740
Fund balance, beginning of year	4,001,813	4,001,813	4,001,813	-
<b>Fund balance, end of year</b>	<b>\$ 3,467,633</b>	<b>\$ 3,252,783</b>	<b>\$ 3,616,523</b>	<b>\$ 363,740</b>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Fire Equipment Replacement Millage**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 301,230	\$ 301,230	\$ 300,993	\$ (237)
Interest	5,000	5,000	3,405	(1,595)
Other revenue	109,000	109,000	-	(109,000)
Total revenue	415,230	415,230	304,398	(110,832)
<b>Expenditures</b>				
Public safety	113,820	163,700	160,669	(3,031)
Capital outlay	815,700	814,820	817,821	3,001
Total expenditures	929,520	978,520	978,490	(30)
Revenue (under) expenditures	(514,290)	(563,290)	(674,092)	(110,802)
<b>Other financing sources (uses)</b>				
Transfers in	41,500	41,500	41,500	-
Proceeds from sale of capital assets	-	35,000	247,000	212,000
Total other financing sources (uses)	41,500	76,500	288,500	212,000
Net changes in fund balances	(472,790)	(486,790)	(385,592)	101,198
Fund balances, beginning of year	642,554	642,554	642,554	-
<b>Fund balances end of year</b>	<b>\$ 169,764</b>	<b>\$ 155,764</b>	<b>\$ 256,962</b>	<b>\$ 101,198</b>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Net Assets**  
**Sewer Enterprise Fund**  
**December 31, 2004**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 2,351,939
Investments	1,131,182
Special assessments receivable	121,560
Other receivables	784,058
Prepays	6,690
Other assets	304,688
Total current assets	<u>4,700,117</u>
Noncurrent assets:	
Restricted cash, cash equivalents and investments:	
Debt service investments	528,245
Replacement and construction cash and cash equivalents	1,417,094
Replacement and construction investments	1,495,256
Special assessments receivable	668,572
Capital assets not being depreciated	7,594,520
Capital assets being depreciated, net	33,937,302
Total noncurrent assets	<u>45,640,989</u>
Total assets	<u>50,341,106</u>

**Liabilities**

Current liabilities:	
Accounts payable	262,619
Accrued liabilities	111,019
Interest payable	163,207
Deposits payable	81,569
Current portion of long-term debt	1,270,900
Total current liabilities	<u>1,889,314</u>
Long-term liabilities:	
Due in more than one year	<u>12,949,584</u>
Total liabilities	<u>14,838,898</u>

**Net assets**

Invested in capital assets, net of related debt	27,311,338
Restricted for:	
Replacement	1,665,760
Debt service	528,245
Construction projects	1,246,590
Unrestricted	<u>4,750,275</u>
Total net assets	<u>\$35,502,208</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Sewer Enterprise Fund**  
**For the Year Ended December 31, 2004**

<b>Operating revenue</b>	
Charges for services	\$ 4,230,740
Permits and fees	881,700
Other operating revenue	<u>283,203</u>
Total operating revenue	<u>5,395,643</u>
<b>Operating expense</b>	
Cost of services	2,846,522
Depreciation	<u>1,533,846</u>
Total operating expense	<u>4,380,368</u>
Operating income	<u>1,015,275</u>
<b>Non-operating revenue (expenses)</b>	
Interest and rentals	166,779
Interest expense	(735,191)
Loss on disposal of capital assets	<u>(9,000)</u>
Total non-operating revenue (expenses)	<u>(577,412)</u>
Net income before capital contributions	437,863
<b>Capital contributions</b>	<u>901,587</u>
Change in net assets	1,339,450
Net assets, beginning of year, as restated	<u>34,162,758</u>
<b>Net assets, end of year</b>	<u><u>\$ 35,502,208</u></u>

The accompanying notes are an integral part of these financial statements.



**CHARTER TOWNSHIP OF DELHI**  
**Statement of Cash Flows**  
**Sewer Enterprise Fund**  
**For the Year Ended December 31, 2004**

**Cash flows from operating activities**

Cash received from customers	\$ 5,654,533
Cash payments to suppliers for goods and services	(1,544,861)
Cash payments to employees for services	<u>(1,037,656)</u>

Net cash provided by operating activities	<u>3,072,016</u>
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**Cash flows from capital and related financing activities**

Capital contributions	901,587
Purchase of capital assets	(4,377,547)
Interest payments	(735,191)
Principal payments	<u>(1,157,565)</u>

Net cash used by capital and related financing activities	<u>(5,368,716)</u>
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**Cash flows from investing activities**

Purchase of investments	(1,153,996)
Interest and rental earnings	<u>166,779</u>

Net cash used in investing activities	<u>(987,217)</u>
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Net decrease in cash and cash equivalents	(3,283,917)
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Cash and cash equivalents, beginning of year	<u>7,052,950</u>
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<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 3,769,033</u></b>
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**Statement of Net Assets classification of cash:**

Cash and cash equivalents	\$ 2,351,939
Restricted cash and cash equivalents	<u>1,417,094</u>
	<b><u>\$ 3,769,033</u></b>

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Cash Flows**  
**Proprietary Funds (Concluded)**  
**For the Year Ended December 31, 2004**

**Cash flows from operating activities**

Operating income (loss)	\$ 1,015,275
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	1,533,846
(Increase) decrease in:	
Special assessments receivable	293,768
Accounts receivable	(36,541)
Other receivables	1,663
Prepaid expenses	1,230
Increase (decrease) in:	
Accounts payable	205,096
Accrued expenses	21,195
Deposits payable	36,484
	<hr/>
Net cash provided by operating activities	<u><u>\$ 3,072,016</u></u>

**Non-cash transactions**

There were no non-cash transactions during the fiscal year.

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Fiduciary Net Assets**  
**December 31, 2004**

	<u>Private Purpose Trust Cemetery</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 67,640	\$ 15,254,107
Taxes receivable	<u>-</u>	<u>14,349,697</u>
<b>Total assets</b>	<u>67,640</u>	<u>\$ 29,603,804</u>
<b>Liabilities</b>		
Due to other governments	-	\$ 29,003,539
Undistributed receipts	<u>-</u>	<u>600,265</u>
<b>Total liabilities</b>	<u>-</u>	<u>\$ 29,603,804</u>
<b>Net assets</b>		
Held in trust for individuals	<u>\$ 67,640</u>	

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Change in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the Year Ended December 31, 2004**

	<u>Private Purpose Trust Cemetery</u>
<b>Additions</b>	
Interest	\$ 707
<b>Deductions</b>	
Cemetery perpetual care	<u>792</u>
Change in net assets	(85)
Net assets, beginning of year, as restated	<u>67,725</u>
<b>Net assets, end of year</b>	<u><u>\$ 67,640</u></u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Combining Statement of Net Assets**  
**Component Units**  
**December 31, 2004**

	<b>Brownfield Redevelopment Authority</b>	<b>Downtown Development Authority</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 17,807	\$ 1,360,363	\$ 1,378,170
Investments	-	933,070	933,070
Receivables, net	101,531	2,781,101	2,882,632
Prepaid items and other assets	-	974	974
Capital assets not being depreciated	-	2,732,052	2,732,052
Capital assets being depreciated, net	-	1,695,210	1,695,210
Total assets	119,338	9,502,770	9,622,108
<b>Liabilities</b>			
Accounts payable and accrued expenses	80	57,218	57,298
Deferred revenue	101,531	2,841,544	2,943,075
Long-term liabilities:			
Due within one year	-	576,916	576,916
Due in more than one year	-	4,562,275	4,562,275
Total liabilities	101,611	8,037,953	8,139,564
<b>Net assets (deficit)</b>			
Invested in capital assets, net of related debt	-	(697,883)	(697,883)
Unrestricted	17,727	2,162,700	2,180,427
Total net assets	\$ 17,727	\$ 1,464,817	\$ 1,482,544

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF DELHI**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended December 31, 2004**

	<b>Brownfield Redevelopment Authority</b>	<b>Downtown Development Authority</b>	<b>Total</b>
<b>Expenses</b>			
Brownfield redevelopment	\$ 9,265	\$ -	\$ 9,265
Downtown development	-	1,063,665	1,063,665
Total expenses	9,265	1,063,665	1,072,930
<b>Program revenues</b>			
Charges for services	-	51,546	51,546
Operating grants and contributions	550	62,310	62,860
Total program revenues	550	113,856	114,406
Net (expense) revenue	(8,715)	(949,809)	(958,524)
<b>General revenues</b>			
Property taxes	34,384	2,917,116	2,951,500
Gain on sale of capital assets	-	(280,022)	(280,022)
Total general revenues	34,384	2,637,094	2,671,478
Change in net assets	25,669	1,687,285	1,712,954
Net assets (deficit), beginning of year as restated	(7,942)	(222,468)	(230,410)
<b>Net assets, end of year</b>	<b>\$ 17,727</b>	<b>\$ 1,464,817</b>	<b>\$ 1,482,544</b>

The accompanying notes are an integral part of these financial statements.

## **NOTES to the FINANCIAL STATEMENTS**

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Delhi have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

#### 1-A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

**Discretely Presented Component Units** - The component units column in the government-wide financial statements include the financial data of the following component units. These units are reported in a separate column to emphasize they are legally separate from the Township.

The *Downtown Development Authority* of the Charter Township of Delhi is organized pursuant to Charter Township of Delhi Ordinance No. 80 and Act 197 of the Public Acts of 1975 of the State of Michigan, as amended. The primary purpose of the Authority is to provide for the ongoing maintenance, promotion, security and continued operation of the downtown district. A tax increment financing district was established to finance these activities. The members of the Board of Directors of the Authority are appointed by the Township Board.

The *Delhi Township Brownfield Redevelopment Authority* is organized pursuant to Section 13(1) of the State of Michigan's Brownfield Redevelopment Financing Act (Public Act 381 of 1996, as amended by Public Act 145 of 2000). The primary purpose of the Authority is to clean up environmentally challenged properties in the Township and prepare them for desirable and productive re-uses. Tax increment financing will be used to finance these activities. The members of the Board of Directors of the Authority are appointed by the Township Board.

The Downtown Development Authority and the Brownfield Redevelopment Authority are considered component units of the Charter Township of Delhi because the Township appoints the Authorities' Board members and has the ability to significantly influence operations of the Authorities.

The *Economic Development Corporation* of the Charter Township of Delhi ("EDC") is a nonstock, nonprofit corporation. The EDC's activities are financed through application fees. The primary purpose of the corporation is to encourage and assist commercial enterprises to locate and expand facilities and services in the Township and to its residents through the issuance of tax-exempt financing. The Corporation is organized pursuant to the State of Michigan, Public Act 338 of 1974, as amended. Members of the Board of Directors of the Corporation are appointed by the officers of the Corporation with the advice of the Delhi Township Board of Trustees. Its fiscal year end is May 31<sup>st</sup>.

The EDC had no activity during the period ended December 31, 2004. The Corporation has no remaining fund assets, liabilities or equity.



# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### 1-B. Basis of Presentation

*Government-wide Financial Statements.* The statements of net assets and activities display information about the primary government (the “Township”) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the Township’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Township and for each function of the Township’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the Township’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Township reports the following major governmental funds:

*General fund.* This is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Fire Equipment Replacement Millage fund.* This fund accounts for resources accumulated for fire equipment purchases.

The Township reports the following major enterprise fund:

*Sewage enterprise fund (Sewer Disposal System).* This fund accounts for the activities of the Township’s sewage disposal and sewage treatment systems that are financed primarily by user charges for those services.

Additionally, the Township reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including trust or major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects fund.* This fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds. The CSC Park Improvement Fund represents the sole Township capital projects fund.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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*Private purpose trust fund.* This fund accounts for contributions earmarked for perpetual care of graves of individuals.

*Agency funds.* These funds account for assets held for other governments in an agency capacity.

### 1-C. Measurement Focus / Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the Township gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Township considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the Township funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Township's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the Township follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### 1-D. Assets, Liabilities and Equity

#### Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

#### Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants, Michigan law, or Township ordinance. Certain general fund assets have been restricted for surplus drain funds. This amount is to be utilized to alleviate drainage problems within the Township.

#### Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

#### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date of donation. Repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest is capitalized on proprietary fund assets that are constructed utilizing debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project.

Capital assets are defined by the Township as assets with an original cost of \$1,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Sewage mains and infrastructure	40
Building	40
Building improvements	20
Land improvements	15
Machinery and equipment	5-10
Computer equipment	3-10
Furniture and fixtures	10
Vehicles	5-7

### Compensated Absences

It is the Township's policy to permit employees to accumulate a limited amount of earned but unused sick and vacation leave, which will be paid to employees upon separation from the Township. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **2-A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the Board of Trustees to carry forward.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, the Township manager submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees. Budget revisions made to the component unit's (Downtown Development Authority) budget are approved by the Downtown Development Authority Board. If the component unit's budget amendments have an impact on fund balance, the Township Board of Trustees also needs to approve the amendments.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and the proprietary fund. Similarly, the Township also adopts budgets, on a project basis, for all capital projects.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

6. Budgets for general, special revenue, debt service funds and proprietary fund are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

It is important to note that capital outlay is budgeted by department, and not in total. This may have an impact on variances as presented in the financial statements.

### *Encumbrances*

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

### **2-B. Excess of Expenditures Over Appropriations**

There were no reported excesses of expenditures over final budgeted amounts for the year ended December 31, 2004.

## **NOTE 3 – DETAILED NOTES ON ALL FUNDS**

### **3-A. Deposits and Investments**

*Summary of Deposit and Investment Balances.* Following is a reconciliation of deposit and investment balances as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 4,906,376	\$ 1,378,170	\$ 6,284,546
Investments	6,273,534	933,070	7,206,604
<b>Statement of Fiduciary Net Assets:</b>			
Cash and cash equivalents	<u>15,321,747</u>	<u>-</u>	<u>15,321,747</u>
<b>Total</b>	<b><u>\$ 26,501,657</u></b>	<b><u>\$ 2,311,240</u></b>	<b><u>\$ 28,812,897</u></b>

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### Deposits and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 25,677,689
Investments in securities, mutual funds and similar vehicles	3,133,033
Cash on hand	<u>2,175</u>

<b>Total</b>	<b><u>\$ 28,812,897</u></b>
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*Deposits.* At year end, the carrying amount of deposits was \$25,677,689. The bank balance was \$24,496,132. Of the bank balance, \$800,000 was covered by federal depository insurance. The remaining balance of \$23,696,132 was uninsured and uncollateralized.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Investments.* The Township's investments have been classified into the following three categories of credit risk: (1) insured or registered, or securities held by the government or its agent in the government's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The Township's investments, which are uncategorized as to risk, were comprised entirely of government liquid asset funds as of December 31, 2004, in the amount of \$3,133,033.

### 3-B. Receivables

Receivables in the governmental activities are 11 percent due from other governments, 4 percent accounts receivables, 67 percent property taxes, 17 percent special assessments, and 1 percent other. 66 percent, or \$703,000, of the special assessment receivables are not expected to be collected within one year. All of the accounts receivables are expected to be collected within one year. Business-type activities receivables are 100 percent due from customers.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Special assessments not yet due (general and debt service funds)	\$ 907,154	\$ -	\$ 907,154
Long term accounts receivable	168,000	44,311	212,311
Property taxes levied for next fiscal year	<u>-</u>	<u>3,099,673</u>	<u>3,099,673</u>
	<u><b>\$ 1,075,154</b></u>	<u><b>\$ 3,143,984</b></u>	<u><b>\$ 4,219,138</b></u>

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

### 3-C. Capital Assets

Capital assets activity for the year ended December 31, 2004, was as follows:

#### Primary government

	Balance December 31, 2003	Restatement and Reclassifications	Additions	Deductions	Balance December 31, 2004
<b><u>Governmental Activities</u></b>					
Land	\$ 857,441	\$ -	\$ 592,238	\$ 1,000	\$ 1,448,679
Construction in progress	3,565,461	(2,291,085)	38,498	1,312,874	-
<b>Total capital assets not being depreciated</b>	<b>4,422,902</b>	<b>(2,291,085)</b>	<b>630,736</b>	<b>1,313,874</b>	<b>1,448,679</b>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	4,592,380	(269,970)	359,832	11,211	4,671,031
Land improvements	437,816	269,970	1,079,858	-	1,787,644
Machinery and equipment	1,668,112	(1,016,567)	34,552	6,054	680,043
Furniture and office equipment	572,625	-	3,955	-	576,580
Flowage rights	400,340	-	-	-	400,340
Computer equipment and programs	333,437	-	13,842	60,884	286,395
Vehicles	981,979	1,016,567	793,011	698,266	2,093,291
<b>Subtotal</b>	<b>8,986,689</b>		<b>2,285,050</b>	<b>776,415</b>	<b>10,495,324</b>
<b>Accumulated depreciation</b>					
Buildings and improvements	1,851,056	(172,068)	117,987	2,861	1,794,114
Land improvements	184,952	172,068	66,384	-	423,404
Machinery and equipment	1,502,788	(1,016,567)	45,956	5,549	526,628
Furniture and office equipment	357,666	-	53,948	-	411,614
Flowage rights	10,009	-	10,008	-	20,017
Computer equipment and programs	223,132	-	31,278	54,908	199,502
Vehicles	821,839	1,016,567	164,105	695,601	1,306,910
<b>Total accumulated depreciation</b>	<b>4,951,442</b>	<b>-</b>	<b>489,666</b>	<b>758,919</b>	<b>4,682,189</b>
<b>Total capital assets being depreciated - net</b>	<b>4,035,247</b>	<b>-</b>	<b>1,795,384</b>	<b>17,496</b>	<b>5,813,135</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 8,458,149</b>	<b>\$ (2,291,085)</b>	<b>\$ 2,426,120</b>	<b>\$ 1,331,370</b>	<b>\$ 7,261,814</b>



# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

	Balance December 31, 2003	Restatement	Additions	Deductions	Balance December 31, 2004
<b><u>Business-type Activities</u></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 776,635	\$ -	\$ -	\$ -	\$ 776,635
Construction in progress	5,869,758	769,191	3,500,989	3,322,053	6,817,885
<b>Subtotal</b>	<b>6,646,393</b>	<b>769,191</b>	<b>3,500,989</b>	<b>3,322,053</b>	<b>7,594,520</b>
<b>Capital assets being depreciated:</b>					
Sewage disposal plant and equipment	16,295,043	-	158,461	-	16,453,504
Sewer mains	28,850,817	-	3,951,102	-	32,801,919
Outfall lines	502,517	-	-	-	502,517
Furniture and office equipment	90,051	-	15,107	6,355	98,803
Computer equipment	50,299	-	7,281	2,876	54,704
Vehicles	554,176	-	10,018	9,026	555,168
Machinery and equipment	367,580	-	13,503	-	381,083
Maintenance facility	464,877	-	43,139	4,950	503,066
<b>Subtotal</b>	<b>47,175,360</b>	<b>-</b>	<b>4,198,611</b>	<b>23,207</b>	<b>51,350,764</b>
<b>Accumulated depreciation</b>					
Sewage disposal plant and equipment	6,150,717	-	624,669	-	6,775,386
Sewer mains	8,769,617	-	802,134	-	9,571,751
Outfall lines	228,978	-	7,866	-	236,844
Furniture and office equipment	56,047	-	5,890	4,702	57,235
Computer equipment	36,880	-	6,465	2,721	40,624
Vehicles	302,352	-	42,661	6,000	339,013
Machinery and equipment	243,900	-	31,031	-	274,931
Maintenance facility	105,331	-	13,131	784	117,678
<b>Total accumulated depreciation</b>	<b>15,893,822</b>	<b>-</b>	<b>1,533,847</b>	<b>14,207</b>	<b>17,413,462</b>
<b>Total capital assets being depreciated - net</b>	<b>31,281,538</b>	<b>-</b>	<b>2,664,764</b>	<b>9,000</b>	<b>33,937,302</b>
<b>Business-type activities capital assets - net</b>	<b>\$ 37,927,931</b>	<b>\$ 769,191</b>	<b>\$ 6,165,753</b>	<b>\$ 3,331,053</b>	<b>\$ 41,531,822</b>

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

<b>Component Unit</b>	<b>Balance December 31, 2003</b>	<b>Restatement</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2004</b>
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,148,792	\$ 115,544	\$ 668,541	\$ 200,825	\$ 2,732,052
Construction in progress	597,214	-	791,894	1,389,108	-
<b>Subtotal</b>	<b>2,746,006</b>	<b>115,544</b>	<b>1,460,435</b>	<b>1,589,933</b>	<b>2,732,052</b>
<b>Capital assets being depreciated:</b>					
Buildings	96,585	-	1,000,174	96,585	1,000,174
Land improvements	1,182,295	(115,544)	86,185	181,948	970,988
Machinery and equipment	-	-	43,613	-	43,613
Furniture and equipment	3,105	-	76,020	3,105	76,020
<b>Subtotal</b>	<b>1,281,985</b>	<b>(115,544)</b>	<b>1,205,992</b>	<b>281,638</b>	<b>2,090,795</b>
<b>Accumulated depreciation</b>					
Buildings	13,621	-	12,482	15,685	10,418
Land improvements	351,011	-	67,110	37,032	381,089
Machinery and equipment	-	-	1,454	-	1,454
Furniture and equipment	1,108	-	2,995	1,479	2,624
<b>Total accumulated depreciation</b>	<b>365,740</b>	<b>-</b>	<b>84,041</b>	<b>54,196</b>	<b>395,585</b>
<b>Total capital assets being depreciated - net</b>	<b>916,245</b>	<b>(115,544)</b>	<b>1,121,951</b>	<b>227,442</b>	<b>1,695,210</b>
<b>Component unit capital assets - net</b>	<b>\$ 3,662,251</b>	<b>\$ -</b>	<b>\$ 2,582,386</b>	<b>\$ 1,817,375</b>	<b>\$ 4,427,262</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental activities:

General government	\$ 282,756
Public safety	145,317
Engineering	10,008
Recreation and cultural	<u>51,585</u>

**Total** **\$ 489,666**

### Business-type activity –

Sewer	<b><u>\$ 1,553,847</u></b>
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# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

### 3-D. Payables

Payables in the governmental activities are 69 percent vendors, 19 percent accrued payroll, and 12 percent interest. Business-type activities payables are 43 percent vendors, 13 percent deposits, 18 percent accrued payroll, and 26 percent accrued interest.

### 3-E. Interfund Receivables, Payables and Transfers

At December 31, 2004, interfund receivables and payables were as follows:

	<u>Receivable</u>	<u>Payable</u>
Nonmajor governmental fund	\$ 23,464	\$ -
General fund	-	23,464
<b>Total</b>	<b><u>\$ 23,464</u></b>	<b><u>\$ 23,464</u></b>

The Township has interfund balances between two of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year then ended, interfund transfers consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 558,671
Fire Equipment Replacement Millage fund	41,500	-
Nonmajor governmental funds	562,897	45,726
<b>Total</b>	<b><u>\$ 604,397</u></b>	<b><u>\$ 604,397</u></b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

### 3-F. Long-term Debt

#### General Obligation Bonds

The Township issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds, therefore, are reported in the proprietary fund if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 5 to 30 year serial bonds.

\$1,032,300, 2002 Water Improvement District, Serial Bonds, due in annual installments of \$34,965 to \$79,088 through 2022, interest at 3.1% to 5.00%. The Township issued bonds totaling \$6,200,000 of which 16.65% (\$1,032,300) was for water improvement (general long-term debt) and 83.35% (\$5,167,700) was for sanitary sewer (enterprise fund)	\$ 974,025
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\$2,365,000, 2004 General Obligation Community Service Center Refunding Bonds, due in annual installments of \$320,000 to \$475,000 through May 1, 2010, interest at 2.0% to 2.6%.	<u>2,365,000</u>
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**\$ 3,339,025**

#### Special Assessment Bonds Payable

The Township has issued special assessment bonds payable. The government pledges special assessments levied against taxpayers' benefiting from a specific construction asset which are collectible over a period of years. In addition, the Township has pledged, in certain of the following, its full faith and credit within statutory limitations:

\$195,000, 1990 Water Improvement District #63, Serial Bonds, due in one remaining installment of \$10,000 in 2005, interest at 7.30%	\$ 10,000
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\$95,000, 1990 Water Improvement District #66, Serial Bonds, due in one remaining installment of \$10,000 in 2005, interest at 7.10%	10,000
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\$48,000, 1991 Water Improvement District #70, Serial Bonds, due in annual installments of \$3,200 through 2006, interest at 7.00%. The Township issued one bond issue for \$600,000 of which ,8% was for Water Improvement District #70 (\$48,000) and 92% was for 1991 Sanitary Sewer (\$552,000)	6,400
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\$108,000, 1991 Water Improvement District #71, Serial Bonds, due in annual installments of \$6,800 through 2006, interest at 6.00% to 6.65%. The Township issued one bond issue for \$320,000 for both the Water Improvement District #71 (34% of issue) and #72 (66% of issue)	13,600
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# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

\$211,200, 1991 Water Improvement District #72, Serial Bonds, due in annual installments of \$13,200 through 2006, interest at 6.00% to 6.65%. The Township issued one bond issue for \$320,000 for both the Water Improvement District #71 (34% of issue) and #72 (66% of issue) \$ 26,400

\$435,000, 1996 Pine Tree Road Improvement, Serial Bonds, due in annual installments of \$30,193 through 2011, interest at 5.00%. The Township issued one bond issue for \$1,945,000 of which 78% was for the sanitary sewer special assessment (\$1,510,000) and 22% was for the Pine Tree Road Improvement (\$435,000) 211,350

\$130,000, 1997 Water Improvement District #128, serial bonds, due in annual installments of \$10,000 to \$15,000 through 2007, interest at 4.8% to 5.0% 40,000

**\$ 317,750**

### **Other Long-term Debt**

The government is assessed for drains at large by Ingham County. The assessment covers the Township's share of installation and flowage rights for the drains. General assessments outstanding at year-end are as follows:

<b><u>Purpose</u></b>	<b><u>Amount</u></b>	<b><u>Fiscal year Due</u></b>	<b><u>Interest Rate</u></b>
Governmental activities	<b><u>\$ 357,306</u></b>	2022	Imputed at 4%

The Township has entered into an installment purchase agreement to purchase property. This obligation is summarized as follows:

<b><u>Purpose</u></b>	<b><u>Amount</u></b>	<b><u>Fiscal year Due</u></b>	<b><u>Interest Rate</u></b>
Governmental activities	<b><u>\$ 500,000</u></b>	2019	3.49%

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

### Enterprise Fund

#### General Obligation Bonds Payable:

\$1,000,000, 1996 Sanitary Sewer general obligation bonds, due in annual installments of \$70,000 to \$95,000 through 2011, interest at 5.00% to 5.40%	\$ 565,000
\$2,500,000, 2003 Sanitary Sewer general obligation bonds, due in annual installments of \$75,000 to \$195,000 through 2024, interest at 3.00% to 4.75%	2,500,000
\$5,167,700, 2002 Sanitary Sewer general obligation bonds, due in annual installments of \$175,035 to \$395,912 through 2022, interest at 3.10% to 5.00%. The Township issued one bond issue for \$6,200,000 of which 83.35% (\$5,167,700) was for sanitary sewer (enterprise fund) and 16.65% (\$1,037,300) was for water improvement (general long-term debt)	<u>4,875,975</u>
	<u><b>\$ 7,940,975</b></u>

### Special Assessment Bonds

The Township has issued special assessment bonds payable. The government pledges special assessments levied against taxpayers benefiting from a specific constructed asset and collectible over a period of years.

#### Special assessment bonds payable:

\$535,000, 1990 Sanitary Sewer Special Assessment Serial Bonds (South Washington Higgins) due in one remaining installments of \$35,000 in 2005, interest at 6.00%	\$ 35,000
\$552,000, 1991 Sanitary Sewer Special Assessment Bonds (Section 2), due in annual installments of \$36,800 through 2006, interest at 7.00%. The Township issued one bond issue for \$600,000 of which 8% was for Water Improvement District #70 (\$48,000) and 92% for 1991 Sanitary Sewer (\$552,000)	73,600
\$645,000, 1992 Sanitary Sewer Special Assessment Bonds (South Cedar), due in annual installments of \$40,000 to \$45,000 through 2007, interest at 6.20% to 6.25%	125,000
\$230,000, 1993 Sanitary Sewer Special Assessment Bonds (Harper Wentland), due in annual installments of \$16,000 through 2008, interest at 5.20% to 5.50%	64,000

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

\$1,510,000, 1996 Sanitary Sewer Special Assessment Bonds (Dell Willoughby), due in annual installments of \$104,807 through 2011, interest at 5.00%. The Township issued one bond issue for \$1,945,000 of which 78% was for the Sanitary Sewer Special Assessment (\$1,510,000) and 22% was for the Pine Tree Road Improvement (\$435,000)

\$ 733,650

**\$ 1,031,250**

### **Notes Payable**

\$1,955,000, notes payable to Ingham County for sewer project - the Township has committed to pay annual installments of \$75,000 through 2005, interest at 5.60%

\$ 75,000

\$639,496, 1998 refunding note payable due to Ingham County calling for one remaining installment of \$117,715 in 2005, interest at 3.95%. Funds provided by the Lift Station D Special Assessment Account will be used towards the payment of this note. This balance reflects 27.62% of the total obligation of \$2,315,000. The remaining portion of the obligation is being paid by the component unit (Downtown Development Authority).

113,259

\$6,695,000, 1998 refunding note payable due to Ingham County calling for total annual installments of \$525,000 to \$765,000 through 2012, interest at 3.95% to 5.13%

5,060,000

**\$ 5,248,259**

### **Downtown Development Authority (Component Unit)**

The long-term debt balance of the Downtown Development Authority consists of the following:

#### General Obligation Bonds

\$990,000, 2003 general obligation bonds to finance Downtown Development Authority costs of constructing a building, due in annual installments of \$55,000 to \$85,000 through 2018, interest at 2.6% to 4.50%

\$ 935,000

\$2,050,000, 1997 general obligation serial and/or term bonds to finance Downtown Development Authority costs of constructing certain road, rail, water, sewer, and environmental improvements, due in annual installments of \$75,000 to \$375,000 starting in 2001 and going through 2015, interest at 4.90% to 5.10%

1,750,000

\$2,325,000, 2001 general obligation bonds to finance Downtown Development Authority costs of constructing certain water and sewer improvements, due in annual installments of \$125,000 to \$220,000 through 2016, interest at 4.0% to 4.63%

2,010,000

**\$ 4,695,000**

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

### Notes Payable

1998 refunding note payable, due to Ingham County calling for one remaining installment of \$296,742 in 2005, interest at 3.90% to 3.95%. This balance reflects 72.38% of the total obligation of \$2,315,000. The remaining portion of the obligation is being paid by the Enterprise Fund. \$ 296,742

\$200,000, Holt Shopping Center, due in monthly installments of to \$2,534 through July 2010, interest at a rate of 9.0% 133,403

**\$ 430,145**

The following is a summary of changes in long-term debt during the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,572,325	\$ 2,365,000	\$ 2,598,300	\$ 3,339,025	\$ 354,965
Special assessment bonds	409,143	-	91,393	317,750	88,393
General assessment payable	378,823	-	21,517	357,306	21,517
Installment Purchase Agreement	-	500,000	-	500,000	33,333
Compensated absences	231,092	34,282	-	265,374	120,000
	<b>\$ 4,591,383</b>	<b>\$ 2,899,282</b>	<b>\$ 2,711,210</b>	<b>\$ 4,779,455</b>	<b>\$ 618,208</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 8,172,675	\$ -	\$ 231,700	\$ 7,940,975	\$ 320,035
Special assessment bonds	1,268,857	-	237,607	1,031,250	237,607
Notes payable	5,936,517	-	688,258	5,248,259	713,258
	<b>\$ 15,378,049</b>	<b>\$ -</b>	<b>\$ 1,157,565</b>	<b>\$ 14,220,484</b>	<b>\$ 1,270,900</b>
<b>Component unit - DDA:</b>					
General obligation bonds	\$ 4,945,000	\$ -	\$ 250,000	4,695,000	\$ 255,000
Notes payable	947,065	-	516,920	430,145	315,916
Compensated absences	13,044	1,002	-	14,046	6,000
	<b>\$ 5,905,109</b>	<b>\$ 1,002</b>	<b>\$ 766,920</b>	<b>\$ 5,139,191</b>	<b>\$ 576,916</b>

For the governmental activities, compensated absences are generally liquidated by the general fund.



# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

The annual requirements to amortize all long-term debt outstanding, exclusive of compensated absences as of December 31, 2004, are as follows:

Year Ending December 31	Governmental activities		Business-type activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 498,208	\$ 138,504	\$ 1,270,900	\$ 634,866	\$ 570,916	\$ 226,253
2006	509,873	124,865	1,080,978	581,852	280,974	202,538
2007	514,171	111,392	1,096,680	537,595	292,941	189,981
2008	528,835	97,800	1,100,014	492,882	305,093	176,905
2009	561,333	82,804	1,136,517	447,299	317,447	163,151
2010-2014	1,046,056	258,030	4,313,194	1,447,569	2,237,774	562,693
2015-2019	572,278	138,852	2,221,975	777,966	1,120,000	65,311
2020-2024	283,327	27,357	2,000,226	219,583	-	-
<b>Total</b>	<b>\$ 4,514,081</b>	<b>\$ 979,604</b>	<b>\$ 14,220,484</b>	<b>\$ 5,139,612</b>	<b>\$ 5,125,145</b>	<b>\$ 1,586,832</b>

### Advance Refunding

In the current and prior years, the Township defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets.

During the year ended December 31, 2004, the Township defeased \$2,305,000 of its 1995 General Obligation Community Center bonds. The balance of defeased bonds outstanding as of December 31, 2004 was \$2,305,000, which represents amounts placed in escrow as part of the refunding.

The current year refunding was undertaken to reduce total debt service expenditures over the next 5 years by \$240,954 and resulted in an economic gain of \$171,044.

In prior years, the Charter Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the financial statements. At December, 31, 2004, \$5,470,000 of bonds outstanding are considered defeased.

### 3-G. Segment Information – Enterprise Funds

The government issued bonds and notes payable to finance certain improvements to its sewer system. Because the Sewer Fund, which accounts entirely for the government's sewer activities is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### NOTE 4 – OTHER INFORMATION

#### 4-A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2004, the government carried commercial insurance to cover all risks of losses. The Township has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### 4-B. Property Taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes together with taxes for the County and other various school districts and the community college. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred until collected. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The Township is permitted by the Charter Township Act of the State to levy taxes up to \$5.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes may be levied, upon approval of the voters, to a total levy of \$10.00 per \$1,000 of assessed valuation. The Township levied 4.394 mills for general operations, .4942 mills for fire operations, and .6371 for Community Service Center debt requirements on the December 1, 2003, levy (recognized as revenue in 2004).

The Downtown Development and Brownfield Redevelopment Authorities, which are component units, also receive property tax revenue from the December 1 tax levy. These tax revenues are recognized in the fiscal year following the December 1 levy date.

#### 4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by federal and state grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### **4-D. Postemployment Benefits**

In addition to benefits described in Notes 4-E and 4-F, the Township provides both health and life insurance benefits for retired employees meeting specific age and years of continued service requirements. The Township will provide 75% to 100% health insurance coverage comparable to that provided to active employees. The obligation of the Township will cease or decrease as comparable health insurance becomes available to the retiree through another employer or source (i.e., Medicare). The Township will provide 100% of life insurance. Approximate costs incurred by the Township during 2004 amounted to approximately \$65,000. The Township currently has eleven retired employees receiving benefits under the plan.

### **4-E. Pension Plan**

The Township provides pension benefits for all of its full-time employees through a defined contribution plan called the Defined Contribution Pension Plan for Governmental Employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon completion of three months of service. The Township contributes an amount equal to 10% of the employee's base annual compensation. Participants are eligible to make voluntary contributions of up to 10% of their annual compensation.

The Township's contribution for each employee (and interest attributable to these contributions) are fully vested after two years service. Township contributions and attributable interest forfeited by employees who leave employment prior to full vesting are used to reduce the Township's current period contribution requirements.

Plan provisions and contribution requirement are established and may be amended by the Township Board.

The Township's total payroll in 2004 was \$3,784,031. Contributions were calculated using the base salary amount of \$2,906,665. The Township made the required 10% contribution totaling \$290,666.

### **4-F. Deferred Compensation Plans**

The Township offers two deferred compensation plans created in accordance with Internal Revenue Code Section 457; one designed for full-time employees, and the second available only to part-time employees. The plans permit employees to defer a portion of their salary until future years. For the plan covering part-time employees, the Township contributes 3% of gross pay to the plan on behalf of all participating employees. The Township made contributions to the plans totaling \$6,034. The deferred compensation is only available to the employees upon retirement, termination, becoming permanently disabled, or death.

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### 4-G. Restatements

#### Primary government:

##### Governmental funds:

Beginning fund balance was restated (reduced) in the capital projects funds as the fund was reclassified to the DDA component unit in the amount of \$46,084.

##### Proprietary fund:

Beginning retained earnings was increased in the Sewer fund by \$ 769,191 to correctly account for construction in progress costs which were included in governmental activities capital assets.

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Beginning net assets were restated as follows:		
Net assets, January 1, 2004 as previously reported	\$ 9,659,412	\$ 33,393,567
Capital project fund reclassified to DDA component unit	(46,084)	-
Construction in progress which should have been expensed in 2003 in a governmental fund	(1,521,894)	-
Reclassification of construction in progress costs from governmental activity to business-type activity	(769,191)	769,191
Restatement for deferred special assessments receivable at December 31, 2003	<u>748,984</u>	<u>-</u>
<b>Net assets, January 1, 2004 as restated</b>	<b><u>\$ 8,071,227</u></b>	<b><u>\$ 34,162,758</u></b>

# CHARTER TOWNSHIP OF DELHI

## Notes To Financial Statements

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### Component unit:

#### Downtown Development Authority:

Beginning fund balance and net assets were restated (increased) due to a reclassification from the primary government capital projects fund in the amount of \$46,084.

#### **4-H. Limited Obligations Bonds – Economic Development Corporation**

The Corporation acts as a liaison between companies seeking financial assistance and financial institutions in an effort to further the economic development of the Township. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the Corporation agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond. principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project and the bonds are collateralized by a mortgage on the project and the lease contract. The Corporation does not currently hold title to any property and did not have any activity in 2004.

#### **4-I. State Construction Code Disclosures**

Revenue from construction permits totaled \$553,385. A majority of this amount is included in licenses and permits (\$445,465), with the rest of the balance being included in charges for services (\$107,920). The direct expenses incurred by the Township while performing the related services totaled \$704,268. The direct expense balance includes \$579,180 of community development expenses and \$125,088 of expenses included in other expense categories. Community development is part of the public safety function.

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**COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES**

**CHARTER TOWNSHIP OF DELHI**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2004**

	Special Revenue	Debt Service	Capital Projects	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 102,285	\$ 300,287	\$ -	\$ 402,572
Investments	701,180	-	-	701,180
Taxes receivable	-	326,789	-	326,789
Special assessments receivable	810,469	87,151	-	897,620
Due from other funds	23,464	-	-	23,464
Prepays	2,702	-	-	2,702
<b><u>TOTAL ASSETS</u></b>	<b>\$ 1,640,100</b>	<b>\$ 714,227</b>	<b>\$ -</b>	<b>\$ 2,354,327</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 86,058	\$ -	\$ -	\$ 86,058
Accrued liabilities	5,470	-	-	5,470
Deferred revenue	782,545	396,848	-	1,179,393
Total liabilities	874,073	396,848	-	1,270,921
<b>Fund balances</b>				
Reserved for prepaids	2,702	-	-	2,702
Reserved for perpetual care	-	-	-	-
Unreserved, designated for debt service	399,410	-	-	399,410
Unreserved, undesignated	363,915	317,379	-	681,294
Total fund balances	766,027	317,379	-	1,083,406
<b><u>TOTAL LIABILITIES, AND FUND BALANCES</u></b>	<b>\$ 1,640,100</b>	<b>\$ 714,227</b>	<b>\$ -</b>	<b>\$ 2,354,327</b>

**CHARTER TOWNSHIP OF DELHI**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2004**

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals</b>
<b>Revenue</b>				
Taxes	\$ -	\$ 388,070	\$ -	\$ 388,070
Special assessments	36,995	35,359	-	72,354
Intergovernmental	-	-	17,794	17,794
Charges for services	108,695	-	-	108,695
Interest	2,210	3,698	4	5,912
Other revenue/reimbursements	258,700	-	700	259,400
Total revenue	406,600	427,127	18,498	852,225
<b>Expenditures</b>				
Current:				
Recreation and cultural	615,878	-	-	615,878
Other	8,209	-	-	8,209
Debt service:				
Principal	33,300	351,393	-	384,693
Interest	44,561	142,840	-	187,401
Capital outlay	102,194	-	37,270	139,464
Total expenditures	804,142	494,233	37,270	1,335,645
Revenue (under) expenditures	(397,542)	(67,106)	(18,772)	(483,420)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	250	-	-	250
Issuance of refunding debt	-	2,365,000	-	2,365,000
Payment to refunding bond escrow agent	-	(2,353,080)	-	(2,353,080)
Bond premium	-	12,229	-	12,229
Transfers in	514,575	18,322	30,000	562,897
Transfers (out)	(33,322)	-	(12,404)	(45,726)
Total other financing sources	481,503	42,471	17,596	541,570
Net changes in fund balances	83,961	(24,635)	(1,176)	58,150
Fund balances, beginning of year as restated	682,066	342,014	1,176	1,025,256
<b>Fund balances, end of year</b>	<b>\$ 766,027</b>	<b>\$ 317,379</b>	<b>\$ -</b>	<b>\$ 1,083,406</b>



**CHARTER TOWNSHIP OF DELHI**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2004**

	<b>Parks and Recreation</b>	<b>Water Improvement</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 37,167	\$ 65,118	\$ 102,285
Investments	-	701,180	701,180
Special assessments receivable	-	810,469	810,469
Due from other funds	23,464	-	23,464
Prepays	2,702	-	2,702
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 63,333</u></b>	<b><u>\$ 1,576,767</u></b>	<b><u>\$ 1,640,100</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,058	\$ 81,000	\$ 86,058
Accrued liabilities	5,470	-	5,470
Deferred revenue	-	782,545	782,545
Total liabilities	10,528	863,545	874,073
<b>Fund balances</b>			
Reserved for prepaids	2,702	-	2,702
Unreserved, designated for debt service	-	399,410	399,410
Unreserved, undesignated	50,103	313,812	363,915
Total fund balances	52,805	713,222	766,027
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 63,333</u></b>	<b><u>\$ 1,576,767</u></b>	<b><u>\$ 1,640,100</u></b>

**CHARTER TOWNSHIP OF DELHI**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2004**

	<b>Parks and Recreation</b>	<b>Water Improvement</b>	<b>Total</b>
<b>Revenue</b>			
Special assessments	\$ -	\$ 36,995	\$ 36,995
Charges for services	108,695	-	108,695
Interest	17	2,193	2,210
Other revenue	21,491	237,209	258,700
Total revenue	130,203	276,397	406,600
<b>Expenditures</b>			
Current:			
Recreation and cultural	615,878	-	615,878
Other	-	8,209	8,209
Debt service:			
Principal	-	33,300	33,300
Interest	-	44,561	44,561
Capital outlay	18,910	83,284	102,194
Total expenditures	634,788	169,354	804,142
Revenue over (under) expenditures	(504,585)	107,043	(397,542)
<b>Other financing sources (uses)</b>			
Proceeds from sale of capital assets	250	-	250
Transfers in	514,575	-	514,575
Transfers (out)	(15,000)	(18,322)	(33,322)
Total other financing sources (uses)	499,825	(18,322)	481,503
Net changes in fund balances	(4,760)	88,721	83,961
Fund balances, beginning of year	57,565	624,501	682,066
<b>Fund balances, end of year</b>	<b>\$ 52,805</b>	<b>\$ 713,222</b>	<b>\$ 766,027</b>

**CHARTER TOWNSHIP OF DELHI**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2004**

	<b>Parks and Recreation</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
<b>Revenue</b>			
Special assessments	\$ -	\$ -	\$ -
Charges for services	114,270	108,695	(5,575)
Interest	500	17	(483)
Other revenue	17,600	21,491	3,891
Total revenue	132,370	130,203	(2,167)
<b>Expenditures</b>			
Current:			
Judicial	617,565	615,878	(1,687)
General government	-	-	-
Debt service:			
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	25,645	18,910	(6,735)
Total expenditures	643,210	634,788	(8,422)
Revenue over (under) expenditures	(510,840)	(504,585)	6,255
<b>Other financing sources (uses)</b>			
	-	250	250
Transfers in	502,090	514,575	12,485
Transfers (out)	(15,000)	(15,000)	-
Total other financing sources (uses)	487,090	499,825	12,735
Net changes in fund balances	(23,750)	(4,760)	18,990
Fund balances, beginning of year	57,565	57,565	-
<b>Fund balances, end of year</b>	<b>\$ 33,815</b>	<b>\$ 52,805</b>	<b>\$ 18,990</b>

<b>Water Improvement</b>		
<b>Final Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
\$ 29,140	\$ 36,995	\$ 7,855
-	-	-
1,200	2,193	993
229,150	237,209	8,059
259,490	276,397	16,907
-	-	-
11,750	8,209	(3,541)
-	-	-
33,300	33,300	-
45,180	44,561	(619)
83,500	83,284	(216)
173,730	169,354	(4,376)
85,760	107,043	21,283
-	-	-
-	-	-
(18,100)	(18,322)	(222)
(18,100)	(18,322)	(222)
67,660	88,721	21,061
624,501	624,501	-
\$ 692,161	\$ 713,222	\$ 21,061

**CHARTER TOWNSHIP OF DELHI**  
**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**December 31, 2004**

	<b>Community Service Center</b>	<b>Pinetree Road</b>	<b>Water District 51</b>	<b>Water District 61&amp;62</b>	<b>Water District 63</b>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 78,376	\$ 153,147	\$ 5,622	\$ -	\$ 179
Taxes receivable	326,789	-	-	-	-
Special assessments receivable	-	51,174	-	-	2,450
<b><u>TOTAL ASSETS</u></b>	<b>\$ 405,165</b>	<b>\$ 204,321</b>	<b>\$ 5,622</b>	<b>\$ -</b>	<b>\$ 2,629</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Deferred revenue	\$ 337,280	\$ 41,740	\$ -	\$ -	\$ -
<b>Fund balances</b>					
Unreserved, undesignated	67,885	162,581	5,622	-	2,629
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 405,165</b>	<b>\$ 204,321</b>	<b>\$ 5,622</b>	<b>\$ -</b>	<b>\$ 2,629</b>

<b>Water District 66</b>	<b>Water District 70</b>	<b>Water District 71</b>	<b>Water District 72</b>	<b>Water District 92</b>	<b>Water District 128</b>	<b>Total</b>
\$ 7,590	\$ (29)	\$ 6,464	\$ 23,790	\$ -	\$ 25,148	\$ 300,287
-	-	-	-	-	-	326,789
1,459	2,009	7,023	6,154	-	16,882	87,151
\$ 9,049	\$ 1,980	\$ 13,487	\$ 29,944	\$ -	\$ 42,030	\$ 714,227
\$ -	\$ 932	\$ 3,351	\$ 2,897	\$ -	\$ 10,648	\$ 396,848
9,049	1,048	10,136	27,047	-	31,382	317,379
\$ 9,049	\$ 1,980	\$ 13,487	\$ 29,944	\$ -	\$ 42,030	\$ 714,227

**CHARTER TOWNSHIP OF DELHI**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended December 31, 2004**

	<b>Community Service Center</b>	<b>Pinetree Road</b>	<b>Water District 51</b>	<b>Water District 61&amp;62</b>	<b>Water District 63</b>
<b>Revenue</b>					
Taxes	\$ 388,070	\$ -	\$ -	\$ -	\$ -
Special assessments	-	13,320	-	-	2,753
Interest	1,364	1,711	52	1	(16)
Total revenue	389,434	15,031	52	1	2,737
<b>Expenditures</b>					
Debt service:					
Principal	260,000	30,193	-	3,000	15,000
Interest and fiscal charges	118,459	11,997	112	719	1,688
Total expenditures	378,459	42,190	112	3,719	16,688
Revenue over (under) expenditures	10,975	(27,159)	(60)	(3,718)	(13,951)
<b>Other financing sources</b>					
Issuance of refunding debt	2,365,000	-	-	-	-
Payment to refunding bond escrow agent	(2,353,080)	-	-	-	-
Bond premium	12,229	-	-	-	-
Transfers in	-	-	-	1,911	13,600
Total other financing sources (uses)	24,149	-	-	1,911	13,600
Net changes in fund balances	35,124	(27,159)	(60)	(1,807)	(351)
Fund balances, beginning of year	32,761	189,740	5,682	1,807	2,980
<b>Fund balances, end of year</b>	<b>\$ 67,885</b>	<b>\$ 162,581</b>	<b>\$ 5,622</b>	<b>\$ -</b>	<b>\$ 2,629</b>

<b>Water District 66</b>	<b>Water District 70</b>	<b>Water District 71</b>	<b>Water District 72</b>	<b>Water District 92</b>	<b>Water District 128</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,070
1,459	1,077	4,134	5,286	-	7,330	35,359
74	(10)	55	225	3	239	3,698
1,533	1,067	4,189	5,511	3	7,569	427,127
5,000	3,200	6,800	13,200	-	15,000	351,393
998	869	1,432	2,490	1,357	2,719	142,840
5,998	4,069	8,232	15,690	1,357	17,719	494,233
(4,465)	(3,002)	(4,043)	(10,179)	(1,354)	(10,150)	(67,106)
-	-	-	-	-	-	2,365,000
-	-	-	-	-	-	(2,353,080)
-	-	-	-	-	-	12,229
-	2,700	-	-	111	-	18,322
-	2,700	-	-	111	-	42,471
(4,465)	(302)	(4,043)	(10,179)	(1,243)	(10,150)	(24,635)
13,514	1,350	14,179	37,226	1,243	41,532	342,014
\$ 9,049	\$ 1,048	\$ 10,136	\$ 27,047	\$ -	\$ 31,382	\$ 317,379



**CHARTER TOWNSHIP OF DELHI**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**December 31, 2004**

	<b>Trust and Agency</b>	<b>Current Tax</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 239,754	\$ 15,014,353	\$ 15,254,107
Taxes receivable	360,511	13,989,186	14,349,697
	<hr/>		
<b>Total assets</b>	<b>\$ 600,265</b>	<b>\$ 29,003,539</b>	<b>\$ 29,603,804</b>
	<hr/>		
<b>Liabilities</b>			
Due to other governments	\$ -	\$ 29,003,539	\$ 29,003,539
Undistributed receipts	600,265	-	600,265
	<hr/>		
<b>Total liabilities</b>	<b>\$ 600,265</b>	<b>\$ 29,003,539</b>	<b>\$ 29,603,804</b>
	<hr/>		

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Net Assets / Governmental Funds Balance Sheet**  
**Brownfield Redevelopment Authority Component Unit**  
**December 31, 2004**

	<b>Special Revenue Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 17,807	\$ -	\$ 17,807
Taxes receivable	101,531	-	101,531
Total assets	<u>\$ 119,338</u>	-	119,338
<b>Liabilities</b>			
Accounts payable	\$ 80	-	80
Deferred revenue	101,531	-	101,531
Total liabilities	101,611	-	101,611
<b>Fund balances</b>			
Unreserved, undesignated	17,727	(17,727)	-
Total liabilities and fund balances	<u>\$ 119,338</u>		
<b>Net assets</b>			
Unrestricted		17,727	17,727
Total net assets		<u>\$ 17,727</u>	<u>\$ 17,727</u>

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Activities / Governmental Funds Revenue,**  
**Expenditures, and Changes in Fund Balances**  
**Brownfield Redevelopment Authority Component Unit**  
**For the Year Ended December 31, 2004**

	<b>Special Revenue Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenue</b>			
Property taxes	\$ 34,384	\$ -	\$ 34,384
Interest	550	-	550
Total revenue	34,934	-	34,934
<b>Expenditures/Expenses</b>			
General government	3,077	-	3,077
Debt service:			
Interest and fiscal charges	6,188	-	6,188
Total expenditures/expenses	9,265	-	9,265
Change in fund balances / net assets	25,669	-	25,669
Fund balances (deficit) / net assets, beginning of year	(7,942)	-	(7,942)
<b>Fund balances / net assets, end of year</b>	<b>\$ 17,727</b>	<b>\$ -</b>	<b>\$ 17,727</b>

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Net Assets / Governmental Funds Balance Sheet**  
**Downtown Development Authority Component Unit**  
**December 31, 2004**

	<b>Governmental Funds</b>			
	<b>Downtown Development Authority</b>	<b>Project 9 Infrastructure Debt Service</b>	<b>College Water/Sewer Debt Service</b>	<b>Sheriff Office Building Capital Projects</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,278,860	\$ 30,452	\$ 50,948	\$ -
Investments	933,070	-	-	-
Taxes receivable	2,773,919	-	-	-
Other receivables	7,182	-	-	-
Prepaid items	974	-	-	-
Capital assets not being depreciated	-	-	-	-
Capital assets being depreciated, net	-	-	-	-
Total assets	<u>\$ 4,994,005</u>	<u>\$ 30,452</u>	<u>\$ 50,948</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ 24,899	\$ -	\$ -	\$ -
Accrued liabilities	2,907	-	-	-
Interest payable	-	-	-	-
Deferred revenue	2,841,544	-	-	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total liabilities	<u>2,869,350</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Reserved for prepaid items	974	-	-	-
Unreserved, undesignated	2,123,681	30,452	50,948	-
Total fund balances	<u>2,124,655</u>	<u>30,452</u>	<u>50,948</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,994,005</u>	<u>\$ 30,452</u>	<u>\$ 50,948</u>	<u>\$ -</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt				
Unrestricted				
Total net assets				

College Water/Sewer Capital Projects			Total	Adjustments	Statement of Net Assets		
\$	103	\$	1,360,363	\$	-	\$	1,360,363
	-		933,070		-		933,070
	-		2,773,919		-		2,773,919
	-		7,182		-		7,182
	-		974		-		974
	-		-	2,732,052			2,732,052
	-		-	1,695,210			1,695,210
\$	103	\$	5,075,508		4,427,262		9,502,770
\$	-	\$	24,899		-		24,899
	-		2,907		-		2,907
	-		-	29,412			29,412
	-		2,841,544		-		2,841,544
	-		-	576,916			576,916
	-		-	4,562,275			4,562,275
	-		2,869,350		5,168,603		8,037,953
	-		974		(974)		-
	103		2,205,184		(2,205,184)		-
	103		2,206,158		(2,206,158)		-
\$	103	\$	5,075,508				
					(697,883)		(697,883)
					2,162,700		2,162,700
				\$	1,464,817	\$	1,464,817

**CHARTER TOWNSHIP OF DELHI**  
**Statement of Activities / Governmental Funds Revenue,**  
**Expenditures, and Changes in Fund Balances**  
**Downtown Development Authority Component Unit**  
**For the Year Ended December 31, 2004**

	<b>Governmental Funds</b>			
	<b>Downtown Development Authority</b>	<b>Project 9 Infrastructure Debt Service</b>	<b>College Water/Sewer Debt Service</b>	<b>Sheriff Office Building Capital Projects</b>
<b>Revenues</b>				
Property taxes	\$ 2,917,116	\$ -	\$ -	\$ -
Charges for services	39,161	-	12,385	-
Interest and rentals	60,397	322	168	1,006
Total program revenues	3,016,674	322	12,553	1,006
<b>Expenditures/expenses</b>				
General government	695,503	-	-	-
Debt service:				
Principal	571,920	75,000	120,000	-
Interest	79,457	90,135	88,135	-
Capital outlay	498,320	-	-	791,894
Total expenditures/ expenses	1,845,200	165,135	208,135	791,894
Revenue over (under) expenditures	1,171,474	(164,813)	(195,582)	(790,888)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	148,245	-	-	-
Gain on sale of capital assets	-	-	-	-
Transfers in	-	165,134	233,525	408,982
Transfers out	(782,251)	-	-	-
Total other financing sources (uses)	(634,006)	165,134	233,525	408,982
Change in fund balances/net assets	537,468	321	37,943	(381,906)
Fund balances / net assets (deficit), beginning of year	1,587,187	30,131	13,005	381,906
<b>Fund balances / net assets, end of year</b>	<b>\$ 2,124,655</b>	<b>\$ 30,452</b>	<b>\$ 50,948</b>	<b>\$ -</b>

<b>College Water/Sewer Capital Projects</b>		<b>Total</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
\$	-	\$ 2,917,116	\$ -	\$ 2,917,116
	-	51,546	-	51,546
	417	62,310	-	62,310
	417	3,030,972	-	3,030,972
	-	695,503	118,946	814,449
	-	766,920	(766,920)	-
	-	257,727	(8,511)	249,216
	21,008	1,311,222	(1,311,222)	-
	21,008	3,031,372	(1,967,707)	1,063,665
	(20,591)	(400)	1,967,707	
	-	148,245	(148,245)	-
	-	-	(280,022)	(280,022)
	-	807,641	(807,641)	-
	(25,390)	(807,641)	807,641	-
	(25,390)	148,245	(428,267)	(280,022)
	(45,981)	147,845	1,539,440	1,687,285
	46,084	2,058,313	(2,280,781)	(222,468)
\$	103	\$ 2,206,158	\$ (741,341)	\$ 1,464,817



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



March 31, 2005

To the Board of Trustees of the  
Charter Township of Delhi  
Holt, Michigan

We have audited the financial statements of the Charter Township of Delhi for the year ended December 31, 2004, and have issued our report thereon dated March 31, 2005. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated January 18, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Delhi. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Delhi are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Charter Township of Delhi during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:



- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Charter Township of Delhi's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Charter Township of Delhi, either individually or in the aggregate, indicate matters that could have a significant effect on the Charter Township of Delhi's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Delhi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Township, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **CHARTER TOWNSHIP OF DELHI**

## **Comments and Recommendations**

**For the Year Ended December 31, 2004**

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated March 31, 2005 on the financial statements of the Charter Township of Delhi.

### **Sewer Performance Deposits**

In the Sewer fund, we noted that there are several balances that are still held in a liability account that were received several years ago.

We recommend that the Township investigate these balances, and refund the cash held to the contractor, or escheat the deposits to the State of Michigan.

### **Parks Department Cash Receipts Procedures**

The Parks Department utilizes a cash register error slip to document errors in entering receipt transactions into the electronic cash register system. The error slip provides for an explanation of the error and the signature of the person responsible for the error.

In order to enhance the internal controls in this area, we recommend that one other departmental employee initial this error slip to indicate that they have reviewed appropriate documentation.

### **Credit Card Policy**

We noted that the Township is planning to use credit cards in the 2005 fiscal year. As the Township crafts a policy for credit card use, it should address the Michigan Department of Treasury has issued a numbered letter # 1996-2 that specifies specific criteria that must be included in the written credit card policy.

### **Sewer Receivable Balances**

The sewer receivable balance report is one of several reports that are run at the end of each month by the Treasurer's office.

In order to enhance internal accounting controls in this area, we recommend that the Accounting Department reconcile the detail receivable report with the general ledger control account on a monthly basis.

# **CHARTER TOWNSHIP OF DELHI**

## **Comments and Recommendations**

**For the Year Ended December 31, 2004**

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### **Journal Entries**

As part of our audit, we examined various journal entries to comply with the new Statement of Auditing Standards (SAS) 99 requirements. We found that these journal entries have appropriate documentation to support the entries. We noted that in several instances, however, that journal entries entered by the preparer are not initialed or signed by someone other than the preparer as a form of approval or check.

In order to enhance internal controls in this area, we recommend that all journal entries be initialed by an appropriate person to “complete the circuit” for effective internal controls in this area. Journal entries prepared by the Director of Accounting should be approved or checked by the Accounting Technician, and vice-versa.

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